

Message Text

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ACTION SS-25

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EXDIS

PLEASE PASS SECDEF AND USCINCEUR

EO 11652: XGDS-1
TAGS: MILI, IR
SUB: IRAN'S ABSORPTIVE CAPACITY

REF: CHIEF ARMISH/MAAG MSG 031533Z MAY 76

1. DURING PAST TWO DAYS THREE KEY IRANIANS HAVE PRIVATELY EXPRESSED OPINIONS TO US ON IRAN'S ABILITY TO ABSORB SOPHISTICATED MILITARY AND CIVILIAN TECHNOLOGY. THESE VIEWS SHOULD BE OF INTEREST TO USG OFFICIALS WHO ARE CURRENTLY WRESTLING WITH THIS SUBJECT.

2. IN AUDIENCE FOR NATIONAL WAR COLLEGE GROUP ON MAY 2, SHAH WAS ASKED FOR HIS VIEWS ON IRAN'S ABSORPTIVE CAPACITY IN LIGHT OF AMBITIOUS CIVILIAN AND MILITARY DEVELOPMENT PROGRAMS. SHAH REPLIED THAT CIVILIAN AND MILITARY PROGRAMS MUST PROCEED TOGETHER. IT WOULD BE SENSELESS FOR IRAN TO HAVE A WELL DEVELOPED MILITARY FORCE WITHOUT STRONG UNDERLYING ECONOMIC BASE. CONVERSELY, MILITARY PROGRAMS COULD NOT BE SACRIFICED BECAUSE IT WOULD BE NEITHER MORAL NOR WISE FOR IRAN TO RELY ON FOREIGN NATIONS TO PROVIDE ITS SECURITY. EXPERIENCE OF PAKISTAN AND TURKEY WITH EMBARGOES WAS A LESSON IRAN COULD NOT NEGLECT. SHAH ADDED THAT IT WAS ESSENTIAL FOR IRAN TO HAVE ITS DEPOTS FILLED WITH EQUIPMENT AND SPARES BECAUSE ANY SECURITY CRISIS WOULD LAST AT MOST ONE MONTH AND IRAN MUST BE PREPARED TO DEAL

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EFFECTIVELY DURING THAT PERIOD. SHAH SAID HE WAS WELL AWARE OF NEED

TO PAY IRANIAN MILITARY PERSONNEL "FANTASTIC" BENEFITS IN ORDER TO COMPETE WITH CIVILIAN SECTOR. U.S. ARMED FORCES HAD HAD SIMILAR EXPERIENCE. HE INDICATED IT WAS NOT HIS PREFERENCE TO INVEST SUCH LARGE AMOUNTS IN MILITARY DEVELOPMENT, BUT THAT IT WAS NECESSARY TO DO SO. SHAH ACKNOWLEDGED THAT THERE WAS A SKILLED MANPOWER GAP WHICH WAS BEING FILLED BY PAKISTANIS, FILIPINOS, SOUTH KOREANS AND OTHER ASIANS, INCLUDING SOME AMERICANS, HE NOTED WITH A SMILE. HE INDICATED THAT PRESENCE OF THESE FOREIGN WORKERS DID NOT CREATE A SERIOUS PROBLEM FOR IRAN.

3. IN CONVERSATION EARLIER SAME DAY WITH GENERAL TOUFANIAN RE IRAN'S INTEREST IN F-16 AIRCRAFT (REFTEL), POL/MIL COUNSELOR NOTED THAT NUMBER OF U.S. OFFICIALS WERE CONCERNED WITH IRAN'S ABSORPTIVE CAPACITY FOR NEW EQUIPMENT. TOUFANIAN REPLIED THAT HE WAS FAMILIAR WITH THOSE VIEWS AND FREELY ACKNOWLEDGED THAT IRAN HAD MANY PROBLEMS IN ASSIMILATING NEW AND SOPHISTICATED WEAPONS SYSTEMS. HE SAID THAT GOI POLICY WAS TO CONFRONT PROBLEMS AND TO SOLVE THEM, NOT TO PUT THEM OFF UNTIL A MORE PROPITIOUS TIME. IRAN HAD REQUIREMENT FOR HARDWARE IT WAS PURCHASING, I.E., IT NEEDED F-16S ASAP TO PROVIDE PROTECTION FOR MORE EXPENSIVE F-14S. DURING PERIOD WHEN THERE WOULD BE SHORTAGES OF SKILLED IRANIAN MANPOWER, GAP WOULD BE FILLED BY FOREIGN WORKERS. TOUFANIAN COMMENTED THAT IT WAS IN USG INTEREST NOT ONLY TO ASSIST IRAN TO BECOME STRONG BUT ALSO TO CONTINUE ACTIVE INVOLVEMENT IN IRANIAN MILITARY BUILDUP.

4. IN WAR COLLEGE MEETING MAY 3 WITH MINISTER OF INDUSTRIES AND MINES NAJMABADI, SIMILAR QUESTIONS WERE ADDRESSED TO HIM. AN INTELLIGENT AND VERY COMPETENT ECONOMIST, NAJMABADI OBSERVED THAT DESPITE PRESSURES ON MANPOWER RESERVES, IRAN STILL HAD LARGE PORTION OF WORK FORCE WHICH WAS UNDEREMPLOYED. THIS WAS ESPECIALLY TRUE IN RURAL AREAS WHERE 55 PERCENT OF POPULATION CONTRIBUTED 10 PERCENT OF GDP. IT WOULD TAKE TIME TO TRAIN IRANIANS IN NEW SKILLS, BUT THERE WERE NUMBER OF PROGRAMS IN MOTION TO THAT END. IN 1965 IRAN HAD HAD 78,000 PEOPLE WITH HIGHER EDUCATION; IN 1974 THE FIGURE WAS 224,000. IN

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ABOUT TWO YEARS THE NUMBER WOULD REACH 300,000--STILL TOO FEW FOR THE NATION'S NEEDS, HE NOTED. SIMILARLY, IRAN IN TWO YEARS HAD INCREASED CAPACITY OF PORTS BY ABOUT 50 PERCENT THROUGH BETTER MANAGEMENT PRACTICES. ALTHOUGH THERE WERE STILL SERIOUS BOTTLENECKS, CONSTRUCTION PROGRAM WHEN COMPLETED WOULD QUINTUPLE CAPACITY OF PORTS TO HANDLE INCOMING SHIPS. LARGE-SCALE PROJECTS WERE ALSO BEING LAUNCHED TO INCREASE RAIL AND ROAD CAPACITIES. WITH

REFERENCE TO PRESENCE OF FOREIGN WORKERS, NAJMABADI NOTED
HISTORIC IRANIAN TOLERATION OF RELIGIOUS AND ETHNIC
MINORITIES AND CURRENT ADJUSTMENT OF IRANIANS TO PRESENCE
OF LARGE NUMBERS OF ASIANS. HE STRESSED THAT GOI WAS
FULLY AWARE OF POTENTIAL TROUBLES WITH FOREIGN WORKERS AND
INDICATED THAT IRAN WOULD NOT ALLOW EXPANSION OF FOREIGN
LABOR PROGRAM TO REACH LEVEL COMPARABLE TO NUMBERS IN
GERMANY OR OTHER EUROPEAN COUNTRIES. FOR THE MOMENT,
FOREIGN PRESENCE WAS MANAGEABLE AND GOI INTENDED TO
CONTINUE TO EXERCISE CONTROL OVER GROWTH IN FOREIGN POPULA-
TION IN IRAN.
HELMS

NOTE BY OC/T: TEHRAN 4481 NOT PASSED ABOVE ADDRESSEES.

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